



Eric Holcomb, Governor
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To: Adrienne Shields, Director
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From: Roger A. Booth, CPA, MBA, CGMA *RAB*
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Date: April 6, 2017

RE: Management Letter – TANF Program - Indiana Department of Veteran Affairs (IDVA)
Confidential - For Internal Use Only

FSSA Audit Services has completed the audit of Indiana Family and Social Services Administration, Division of Family Resources (DFR) contract/MOU, F1-5-99-15-SZ-1181, with IDVA. The audit period was July 1, 2015 through November 30, 2016. The audit period included the original contract, Amendment 1 (AM1) and Amendment 2 (AM2).

The contract scope of work is to provide Temporary Assistance to Needy Families (TANF) funding to IDVA so they may provide counseling and employment/training program services to military veterans and their families. Also, AM1 added child care to allow individuals to attend training classes and search for meaningful employment.

This management letter presents several items for DFR's consideration to improve contractual oversight and to ensure compliance with the purposes of the TANF program. DFR has provided an action plan and is included with this final management letter, Attachment 1.

1. TANF Eligibility.

The contract requires that all participants must have an eligible dependent. For the training component of the contract, TANF eligibility criteria also requires participants to be at/below the 250% federal poverty level. While the contract focuses on veterans, eligible participants can include non-veterans. In our detail testing of about 80 of 500 participants, we observed the following issues that puts DFR and IDVA at risk for ineligible participants and potential TANF overpayments.

- a) Over the poverty level. Participants do not always fall within the poverty level guidelines; in particular, those participating in the Dale Carnegie courses/seminars.



- [REDACTED] – over 250% poverty level (DC)
- [REDACTED] – over 250% poverty level (DC)
- [REDACTED] – over 250% poverty level (child care)
- Numerous other participants exceeding 250% poverty level attending Dale Carnegie in testing

b) Lack of documentation. The files do not always contain applications, social security numbers, dependent birth certificates, or verification of non-working spouse income with the Department of Workforce Development (DWD).

- [REDACTED] – no birth certificates or documentation from DWD
- [REDACTED] – report 3 dependents and only birth certificate
- [REDACTED] – no birth certificates (DC)

c) No dependent(s). Benefits were provided to one participant without a dependent in our sample. More are possible.

- [REDACTED] – attended Dale Carnegie

d) Ineligible participants are known. IDVA files document applicants as ineligible, but judgements apparently were made to still provide services.

- [REDACTED] – application says ineligible, no dependent
- [REDACTED] – application says ineligible, exceeds poverty levels

e) Eligible participants were not provided services. IDVA documents the applicant as ineligible and based on the contract it appears the individual could receive services, but IDVA denied services.

- [REDACTED] – determined income too high for counseling even though had dependent

2. Child Care.

Child care benefits were added to the contract for period ending 9/30/17. The purpose of child care benefits is to allow individuals to attend training classes and search for meaningful employment. The following items were identified in our detail testing that exposes DFR and IDVA to potential overpayments.

a) Participants received child care services, but are not in a training program. Several participants are not in a training program or seeking meaningful employment. So we were unsure of the need for child care.

- [REDACTED] – can't determine why child care is needed because no indication of other services being provided
- [REDACTED] – weekend marriage retreat, but service voucher for day care 10/3/2016 to 9/29/2017. Child care for significant other ([REDACTED] Program Manager, IDVA)

- b) Participants are over the poverty level. While IDVA is aware of the poverty level guidelines, still there were several participants over the poverty level and provided child care benefits.
 - [REDACTED] – over 250% poverty level
 - [REDACTED] – over 250% poverty level and can't determine spouse unemployed
- c) Eligible for CCDF. Many participants are working and receive child care benefits from IDVA. Yet, they appear to be eligible for the CCDF program. One difference in CCDF is the issue of co-pays. We found no documentation to support that IDVA directed the participants to CCDF first for benefits.
 - [REDACTED] – CCDF ended 4/23/2016 and IDVA began paying 5/23/2016 to 12/31/2016 and 1/1/2017 to 8/31/2017
- d) Opted out of CCDF to IDVA. Some participants have/had approved CCDF vouchers but use IDVA child care benefits.
 - [REDACTED] – CCDF vouchers issued through 7/29/2017, but received day care services through IDVA and service vouchers issued for 9/6/2016 to 4/7/2017
- e) Child care benefits for extended periods. Service Vouchers are many times for long time periods, like eight months to one year. Yet, the training periods are many times for shorter time periods. We note - for several participants ‘not in training’ that were noted above in 2.a), child care was also for longer periods.
 - [REDACTED] – two service vouchers for child care for 5/23/2016 to 12/31/2016 and 1/1/2017 to 8/31/2017 and no other services

3. Counseling.

The contract provides counseling services under TANF purpose four to “encourage the formation and maintenance of two-parent families.” The contract includes marriage counseling, marriage retreats, and counseling. The following items were identified during testing that, again, exposes DFR and IDVA to potential non-compliance with TANF regulations and increases the risk for potential overpayments.

- a) Weekend retreats could be provided in more cost-effective settings. Weekend Marriage retreats are held in several different locations, like The Wooded Glen, Bradford Woods and French Lick Resort. For example, the brochure for The Wooded Glen and French Lick Resort are for the Warrior 2 Soulmate (W2SM) Retreat. While the most current contract allows \$3,000 per couple for weekend retreats and IDVA has not utilized the approved amount, we did note a significant cost difference based on where the weekend retreat was attended. There is also a current waiting list. The contract anticipates about 20 individuals per month attend retreats. We suggest there are possible cost savings.
 - French Lick Resort. Cost to attend per couple - \$1,200 per weekend.

- The Wooded Glen. Cost to attend per couple - \$600 per weekend.
- b) Applicants were incorrectly determined ineligible. Applicants for counseling were deemed as ineligible as they had higher income. This is inconsistent with contract requirements for counseling, which only requires an applicant have a dependent.
 - [REDACTED] – determined income too high for counseling even though had dependent

4. Training/Education.

IDVA offers job placement and training services under TANF purpose two to “end the dependence of needy parents on government benefits by promoting job preparation, work and marriage.” The focus is primarily on eligible veterans, their spouses, but also any other Hoosier. All participants, to be eligible, must have income at/below the 250% federal poverty level and be a parent or adult caretaker of a dependent child under age 18. The following items were identified during our testing that exposes DFR and IDVA to potential non-compliance with TANF regulations and increases the risk for potential overpayments.

- a) Dale Carnegie (DC) courses – Training or Counseling? The contract classifies DC as training but we were informed by IDVA contract employees that DC courses are considered counseling. DFR should determine the correct classification of DC seminars.
 - While IDVA reports DC courses as Life Skills in reports to DFR, the supporting accounting classifications actually lists DC as counseling.
 - Email from A. Bonner says position for 250% poverty guidelines did not apply for the DC courses as it is considered a counseling service.
 - IDVA Standard Operating Procedures (SOP) shows Dale Carnegie as Counseling.
- b) DC participants may be ineligible. If DC is training, not counseling, then most DC participants are not TANF eligible. DC seminars are generally attended by National Guard participants, possibly during duty. National Guard participants’ income generally exceed the poverty level.
 - A substantial number of participants are attending the Dale Carnegie training programs and 250% poverty level is not considered because IDVA has reclassified Dale Carnegie as counseling and income is not relevant for counseling.
 - Following is a small sample of the participants many ineligible participants:
[REDACTED]
- c) Applicants initially were ineligible. In July 2015, applicants for self-development, e.g. DC courses, were shown as ineligible as they exceeded the poverty levels. We find this is inconsistent from later months, as noted in 4.b).
 - [REDACTED] – application says ineligible, exceeds poverty levels

- d) Some dependents are over 18. The IDVA Standard Operating Procedures extended the dependent age limit to 18-24, if they are a student. We are unsure, if a student, past 18, is an eligible dependent. Therefore, the participant could be ineligible.
 - IDVA Standard Operating Procedures (SOP) for Application Review, Document Protocol, Qualification Process, Service & Eligibility Determination item
 - [REDACTED] – dependent 20 year old
- e) Other funding sources for training not considered. IDVA processes do not appear to search for or consider other potential training funding sources, e.g. GI Bill.

5. Internal Controls.

IDVA is a small state agency. It has two state employees overseeing the TANF program. One is the deputy director and the other is the director of care. Neither employee works exclusively on the TANF program; rather, they have many other duties including the Military Family Relief Fund. For the most part, the program is largely operated by contract employees. There are some written operating procedures. As mentioned, IDVA is a small state agency and does not have an accountant. State Budget Agency – its Central Accounting Operations (CAO) provides all accounting services for smaller state agencies including IDVA. Our observations about the control environment follows.

- a) IDVA oversight is limited. We found limited evidence that IDVA state employees provide oversight of the contracted employees that operate the TANF program. We find that IDVA employees do not allocate personnel costs to overseeing the program.
- b) Contract employees should not make eligibility decisions or determine what services are provided. We strongly suggest that state employees approve eligibility of applicants and authorize services (on the Service Voucher). If this suggested control is adopted, issues noted in this section can be addressed, eliminated, or clarified. Further, judgment calls by contract employees can be monitored. Potential conflict of interest situations we found could have been identified.
 - Program Managers and Case Manager were contract employees for IDVA and received child care benefits for extended periods of time. The following IDVA contractors received child care benefits: [REDACTED]
- c) Contract employees should not process invoices directly to CAO. Controls are strengthened when state employees approve invoices for payment. Of note, contract employees do not approve invoices either. In practice, the invoices with the attached Service Voucher are submitted directly to CAO for payment. It appears CAO finds this acceptable to process payments. Again, our suggestion is state employees should approve invoices.

- The IDVA Standard Operating Procedures only requires the service voucher to be approved by a program manager (contract employee). The Service Voucher and provider invoice is sent to the program assistant (contract employee) and invoice is sent to CAO for processing without approval. Invoices do not have approvals.
- [REDACTED] – no approvals on invoice

d) Tracking of Service Vouchers require improvement. We found tracking of Service Vouchers, which in practical terms, are purchase orders, to require improvement. We found it difficult to determine how many Service Vouchers are open/outstanding or closed. We are unsure how many dollars are obligated and if the program is over/under-obligated.

e) Service Vouchers obligate the program beyond the contract end date. For example, Service Vouchers for child care services are for months after the end of the contract date. This practice should be discontinued as there is no guarantee the contract will be renewed or if renewed, that child care services will continue to be offered.

- Numerous vouchers for day care services are provided past the contract date. The following individuals received vouchers for service extending past the contract date of 9/30/2016. The following are examples that were included in examples above:
[REDACTED]

Closing comments and observations about the program.

The planned program presented in the contract varies somewhat with the actual activities.

- Child care costs are large and growing. This program could grow, if unchecked, into an alternative child care program.
- Training activities are less than planned.
- Training activities occur more at the New Horizons Center and less at IVY Tech or other colleges.
- DC, whether it is classified as counseling or training, is widely used at significant costs, and short-term in nature.
- Services are authorized for time periods beyond the planned activity.

FSSA Audit Services would like to thank you for all your cooperation during the audit process. If you have any questions or concerns regarding this audit, please contact me, or roger.booth@fssa.in.gov.

cc: David Smalley, Deputy Director – Policy, FSSA Division of Family Resources
Audit File

DFR – IDVA TANF Block Grant Program

Proposed Action Plan

April 5, 2017

This Action Plan has several components:

1. Add and clarify terms to our MOU, Statement of Work (SOW).
2. Assist IDVA to document and implement program policies/procedures to carry out the updated SOW.
3. Assist IDVA to document and implement internal financial controls that are best practices.
4. Meet with IDVA at least biweekly and monitor documentation, billings and payments for at least a period of three months.
5. Based on results of these activities, review and provide a decision on IDVA's request for extension of their agreement and additional TANF funds.

The clarifications and limits we recommend here are based upon the TANF statute, federal regulations, concerns revealed by audit and best practices as determined by DFR for all TANF Block Grant programs.

We observe that success will require work with many levels of the IDVA organization that touch the TANF Block Grant program - from the contract employee clerks, outreach staff, contracted project manager to the agency Director of Care and agency Deputy Director. We believe the more clearly and objectively the parameters are expressed, the more easily they can be adopted. Here is a quick view of the detailed work.

1. Add and Clarify Terms to Memorandum of Understanding and Statement of Work.

1.1. Client files and documentation

- 1.1.1. Specify required documentation contents of client files, including all family income, proof of dependent child relationship.
- 1.1.2. Specify files maintained securely.

1.2. Eligibility determination

- 1.2.1. Clarify and document determination of "Needy Family" status to be signed off by a State employee and documented in file, as needed for services under TANF Purposes 1 and 2.
 - 1.2.1.1. Review and redetermination at least annually. Must have updated documentation to change determination.
- 1.2.2. Document assessment of client and agreement as to what types of services may be offered (e.g., education, training or childcare support are only for "Needy" clients; counseling may be provided to clients who are not determined as "needy".)

1.3. Case Management

- 1.3.1. Include allowance for Case Management to be provided by IDVA to complete:
 - 1.3.1.1. Client needs assessment and documentation of plan for client;
 - 1.3.1.2. Assist clients to investigate counseling, education/training, childcare, etc., they may already be eligible for and how to access it.
 - 1.3.1.3. Assist clients to enroll in or schedule the services/supports for which they

qualify.

- 1.3.1.4. Follow up with clients at least monthly to confirm client activity, to assess ongoing needs, identify and strategize how to overcome client barriers to progress. Document findings including reasons for additional service approvals.
- 1.3.1.5. Document client progress toward independence goals.
- 1.3.1.6. Specify limit on Case Management to 10 hours per month, up to 6 months of support.

1.4. Program Services – In General

- 1.4.1. Vouchers for Program services – limited in time and value (e.g., one month maximum) and cannot extend beyond current MOU time span.

1.5. Training Services

- 1.5.1. Add documentation, pricing and description for New Horizons Computer Learning Center program, which is not currently in the MOU.
- 1.5.2. Ensure that IDVA retains classification of Dale Carnegie programs as *Training* in the MOU (thus available only to “needy” clients when appropriate).
- 1.5.3. IDVA will assist client to determine whether and what training is needed.
 - 1.5.3.1. IDVA will assist clients in need of education and training to investigate program and funding sources other than the TANF program first, such as the GI Bill, Pell Grants and Financial Aid programs. Verification that TANF is the last funding option of resort will be documented in the case file.
 - 1.5.3.2. Clarify in MOU that IDVA-covered training is only for “Needy Family” clients, as determined in Section 1.2.
 - 1.5.3.3. IDVA and Client should make and sign a training “contract” as best practice. (DFR will assist IDVA to draft/adopt a suitable document).
 - 1.5.3.4. IDVA must follow up with client at a minimum of monthly on progress and document those follow ups in client file.

1.6. Counseling Services

- 1.6.1. IDVA to assist clients to access counseling – individual, family or marriage, non-medical.
- 1.6.2. Determine what type and venue will be both effective and good use of funds.
- 1.6.3. IDVA follow up with client progress/attendance.
- 1.6.4. Clarify in MOU financial limitations on authorization of weekend retreat authorization.
- 1.6.5. Clarify in MOU that childcare will not be a covered service for weekend marriage retreats.

1.7. Childcare Support

- 1.7.1. Childcare support is only for Needy Families.
- 1.7.2. IDVA to assess and document client need for childcare – purpose and services requested.
- 1.7.3. IDVA to assist client to check eligibility for other sources of childcare support (e.g., CCDF). Clients eligible for other sources are referred and not eligible for TANF Childcare funding– no opting out.
- 1.7.4. Childcare support, when provided will be with a provider licensed through the FSSA Office of Early Childhood and Out of School Learning.
- 1.7.5. Childcare providers will be searched for on the Childcare Finder.

- 1.7.6. IDVA to apply all regulatory limits on childcare.
 - 1.7.6.1. Clients who are *employed* – childcare may be provided as a support to transition client into work. Allowance of 90 days maximum, and the number of hours per day/week based on client's actual work requirements. IDVA will check up on clients at least monthly to confirm and document ongoing need. Vouchers issued for one (1) month or less each time.
 - 1.7.6.2. Clients who are *not employed* – childcare may be provided to enable client to attend specific program activity such as an educational class or job search or interview. Allowance of 30 days, up to 20 hours a week as documented by allowable activity. IDVA will follow-up with clients at least monthly to confirm and document need for continued Childcare. Vouchers issued for one (1) month or less at a time. Childcare activity should be verified with program activities and/or job searches.

2. Assist IDVA to create, document and implement program policies and procedures (P&P), including those needed to carry the more detailed SOW.

- 2.1 Goal of P&P's is to guide all staff, ensure compliance, ensure equal treatment, eliminate possible conflicts of interest and ensure continuity of program knowledge.
 - 2.1.1. Need P&P on client intake and documentation.
 - 2.1.2. Need P&P on Eligibility determination – how made, by who, how documented.
 - 2.1.3. Need P&P on client assessment and development of client plan – can be part of Case Management work instruction.
 - 2.1.4. Need P&P on client education / training efforts – education and training is only for needy family clients, develop and implement client training agreement document to include notification obligations, client effort, follow ups.
 - 2.1.5. Need P&P on how and how often IDVA follows up with clients who are using any of the various services and supports, and documents client use of services, ongoing needs, barriers to progress and strategies to overcome.
 - 2.1.6. Need P&P on each type of service/supports - how applied, documented, controlled, etc., e.g., who decides a couple goes to marriage counseling at one location vs. another.

3. Assist IDVA to document and implement internal controls for financial management of TANF subaward.

- 3.1 Establish dollar levels and volume points where a State employee must sign off on the advance approval of a voucher, invoice or certain program services.
- 3.2 Establish dollar levels and program points where a State employee must review and approve vendor invoice payments.
- 3.3 Establish regular review of expenses vs. budget; require State review and sign off before a claim is filed with SBA with a variance of, for instance, 5% or more.

4. Meet with IDVA at least biweekly and monitor their documentation, billings and payments, and assist them in developing policies and procedures and implementing controls, for at least three months.
 - 4.1 How do we increase participation in training programs? How many IDVA Clients obtained jobs? How can we increase this count?
 - 4.2 Assist IDVA to develop checklists and processes to manage recommended changes. For instance, a checklist for each client file of the types of documentation that should be maintained and the frequency of review.
 - 4.3 Are we asking how and where TANF funds are bring spent?
5. Based on results of the activities outlined here, including monitoring activities, DFR's TANF TEAM will develop and submit to DFR management information and recommendations regarding requested extension of agreement with possible additional funding for IDVA under the TANF subaward program.
 - 5.1 IDVA would very much like to add support for a YMCA after-school program for kids in at-risk areas.
 - 5.1.1 DFR will request IDVA assistance to help us better understand the proposed program.
 - 5.1.1.1 What is scope? What is program history?
 - 5.1.1.2 How is this program different from childcare programs?
 - 5.1.1.3 How is program different from Serve Indiana Kids after school programs? We note that Serve Indiana Kids does not use YMCA, but rather the Alliance of Boys and Girls Clubs.
 - 5.1.1.4 Is this a program best managed through IDVA or DWD?
 - 5.2 IDVA would very much like to add support for the Indiana National Guard Youth Challenge Academy - a great program for at-risk youth is funded for the most part by the National Guard, but has needs related to the portion of the program where the at-risk youth are back home after their 5.5 months live-in class and training experience.
 - 5.2.1 DFR will request IDVA's assistance to help us better understand the proposed program.
 - 5.2.1.1 Do any other states use their TANF Block Grant funds to help support this program and if so, which ones? How much and how is that structured?
 - 5.2.1.2 How does IDVA propose to use Indiana TANF Block Grant funding to support this program, and which TANF purpose is supported in what way.
 - 5.2.1.3 IDVA would seem to be a good entity to funnel and manage this support.

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